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*Counsel to the Litigation Oversight Committee,
Mohsin Y. Meghji as Litigation Administrator, and
Blockchain Recovery Investment Consortium, LLC
as Litigation Administrator and Complex Asset
Recovery Manager*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
CELSIUS NETWORK LLC, et al. ¹)	Case No. 22-10964 (MG)
Debtors.)	(Jointly Administered)

LITIGATION ADMINISTRATORS' QUARTERLY REPORT

¹ The “Post-Effective Date Debtors” in these chapter 11 cases, along with the last four digits of each Post-Effective Date Debtor’s federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); Celsius US Holding LLC (7956); GK8 Ltd. (1209); GK8 UK Limited (0893); and GK8 USA LLC (9450). The location of the Post-Effective Date Debtor Celsius Network LLC’s principal place of business and the Post-Effective Date Debtors’ service address in these chapter 11 cases is 50 Harrison Street, Suite 209F, Hoboken, New Jersey 07030.

Mohsin Y. Meghji as “**Litigation Administrator**” and Blockchain Recovery Investment Consortium, LLC as the Litigation Administrator and Complex Asset Recovery Manager (the “**ARM**”) (together, the “**Litigation Administrators**”) appointed under the *Modified Joint Chapter 11 Plan of Reorganization of Celsius Network LLC and Its Debtor Affiliates (Conformed for MiningCo Transaction)* [Docket No. 4289] (the “**Plan**”)² state as follows in support of this quarterly report in accordance with Section 4.13 of the Litigation Administrator Agreement and Section 4.10 of the Litigation Administrator (ARM) Agreement (this “**Quarterly Report**”):

Preliminary Statement

1. On January 31, 2024, the Plan became effective in accordance with its terms [Docket No. 4298]. On the Effective Date, the Litigation Administrator was appointed to, among other things, prosecute, settle, or otherwise resolve any remaining Disputed Claims (including any related Causes of Action that are not released, waived, settled, or compromised pursuant to the Plan), the Recovery Causes of Action, and the Contributed Claims for the benefit of holders of Claims entitled to receive Litigation Proceeds under the Plan in accordance with the Litigation Administrator Agreement. On the Effective Date, the ARM was also appointed to administer and monetize the Debtors’ illiquid assets identified on the schedule attached to the Litigation Administrator (ARM) Agreement (the “**ARM Claims**”).

2. Since the Effective Date, the Litigation Administrators have worked diligently, under the guidance of the Litigation Oversight Committee of Celsius Network LLC (the “**LOC**”), to maximize returns to creditors. Through March 31, 2024, the estates generated

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

\$3.3 million, primarily through the sale of remaining altcoins and proceeds from the settlement of avoidance actions.

3. The Litigation Administrators and the LOC are continuing to evaluate and prosecute preference actions as well as remaining causes of action.

4. The Litigation Administrators file this Quarterly Report in accordance with the requirements under the Litigation Administrator Agreements to provide reporting related to:

- (a) financial statements of the Litigation Recovery Account;
- (b) actions taken that may affect the Litigation Recovery Account;
- (c) the progress of liquidating the Post-Emergence Claims and making distributions to Claim holders;
- (d) payments made to the Litigation Administrator and Litigation Administrator Professionals; and
- (e) other material information deemed appropriate by the Litigation Administrators.

Financial Update

5. On the Effective Date, the Litigation Recovery Account was funded with \$55 million of cash.

6. Between the Effective Date and March 31, 2024, the Litigation Recovery Account's cash balance increased to \$58.3 million, primarily as a result of the sale of certain remaining altcoins, proceeds from avoidance action settlements, and interest on certain assets in the Litigation Recovery Account. There have been no distributions to creditors from the Litigation Recovery Account nor has the LOC authorized any distribution to creditors from the Litigation Recovery Account; however, the Litigation Administrators and the LOC are evaluating the potential for an initial distribution to creditors (through the Plan Administrator) on or before the first anniversary of the Effective Date.

7. The financial performance for the period of February 1, 2024, through March 31, 2024, is set forth below:

(\$000s)		Q1 2024	Inception to Date
Opening Cash Balance	[A]	\$55,000	\$55,000
Receipts			
Proceeds from Causes of Action		945	945
Proceeds from Illiquid Assets		3,572	3,572
Other Proceeds		119	119
Total Receipts	[B]	\$4,636	\$4,636
Disbursements			
Professional Fees	[C]	(1,302)	(1,302)
Other Operating Expenses		-	-
Distributions to Creditors		-	-
Total Disbursements		(\$1,302)	(\$1,302)
Net Change in Cash		\$3,334	\$3,334
Ending Cash Balance		\$58,334	\$58,334
Cash Held for Distributions	[D]	-	-

Notes to Financial Statements:

- (a) The Litigation Recovery Account was funded with \$55 million on January 31, 2024, in accordance with the Plan.
- (b) Cash receipts for the quarter primarily relate to the sale of certain altcoin crypto assets, proceeds from avoidance action settlements, and interest earned on certain assets in the Litigation Recovery Account.
- (c) Operating disbursements for the period relate to monthly fees payable to the Litigation Administrators and payments to other professionals retained by the LOC or the Litigation Administrators, as applicable.
- (d) The LOC has not approved any distributions to creditors from the Litigation Recovery Account as of the date hereof.

Significant Updates

I. Administrative Updates

8. On February 5, 2024, the LOC held an initial meeting to review the portfolio of illiquid assets and the Post-Emergence Claims it is charged with overseeing. In addition, the LOC developed and approved rules and procedures to govern the Litigation Administrators'

activities, budget, and reporting obligations and retained advisors, including White & Case LLP, M3 Advisory Partners, LP, Willkie Farr & Gallagher LLP, and C Street Advisors.

9. Since that time, the LOC has generally met weekly to review recommendations by the Litigation Administrators regarding various pending matters. On February 27, 2024, the LOC convened an in-person meeting in New York City.

II. Avoidance Actions Settlement

10. On March 20, 2024, the LOC and the Litigation Administrator began pursuing the return of preferential transfers (*i.e.*, transfers made in the 90 days prior to the date that Celsius commenced its bankruptcy proceeding—between April 14, 2022, and July 13, 2022) that were not released under the Plan.

11. Through this time-limited settlement (the “**WPE Settlement Initiative**”), the estates are offering to settle potential preference claims against defendants based upon a calculation referred to as Withdrawal Preference Exposure. Under the Plan, this calculation is defined as (i) the aggregate value of all assets an account holder withdrew from the platform in the 90 days prior to the Petition Date, valued as of the time of such withdrawals *less* (ii) the aggregate value of any deposits such account holder made after such account holder’s first withdrawal in such period, valued as of the time of such deposits. While the Plan and the WPE Settlement Initiative measured preference exposure based on the value at the time of the transaction, in litigation these liabilities could be much higher and include return of the digital assets themselves, which have more than tripled in value since the transactions occurred. Any amounts recovered through the WPE Settlement Initiative will be available, subject to approval by the LOC, for distribution by the Plan Administrator under the Plan for the benefit of Celsius’s creditors.

12. The WPE Settlement Initiative has been very successful and remains ongoing. Through March 31, 2024, the Litigation Administrator has recovered \$944,706.95 in proceeds on behalf of the LOC (in cash, securities, or digital assets) and millions of dollars of receivables related to setoff of liquid cryptocurrency on account of prepetition claims through the settlement of Withdrawal Preference Exposure.

III. Other M3 Litigation Matters

13. **KeyFi.** On August 23, 2022, Celsius Network Limited and Celsius KeyFi LLC initiated an adversary proceeding against KeyFi, Inc. and Jason Stone (the “**KeyFi Defendants**”) in connection with the KeyFi Defendants’ staking and DeFi activities on behalf of Celsius. *See Celsius Network Limited and Celsius KeyFi LLC v. Jason Stone and KeyFi Inc.*, Adv. Proc. Case No. 22-01139 (Bankr. S.D.N.Y. Aug. 23, 2022). The complaint asserted causes of action for turnover, conversion, fraudulent misrepresentation, breach of fiduciary duty, unjust enrichment, replevin, and accounting.

14. The KeyFi Defendants’ motion to dismiss was denied on December 8, 2022. Celsius then obtained a temporary restraining order (“**TRO**”) preventing the KeyFi Defendants from transferring certain assets after an evidentiary hearing.

15. On April 11, 2024, a hearing was held to consider the KeyFi Defendants’ motion to modify the TRO and allow for payment of legal and professional fees from the assets frozen by the TRO. The Bankruptcy Court denied the KeyFi Defendants’ motion and scheduled the matter for trial in August 2024, with the TRO remaining in place through the trial.

16. **Fabric.** On January 17, 2023, Celsius Network Limited initiated an adversary proceeding against Fabric Ventures Group SARL (“**Fabric**”) in connection with Fabric’s contractual commitment to purchase Series B preferred shares of CNL. *See Celsius Network Limited v. Fabric Ventures Group SARL*, Adv. Proc. Case No. 23-01002 (Bankr. S.D.N.Y.

Jan. 17, 2023). Fabric agreed to pay \$8,003,379 in three installments: \$2,000,000 in May 2022; \$2,000,000 in June 2022; and \$4,003,379 in July 2022. Fabric made the first scheduled payment but did not make the other two scheduled payments. The complaint seeks damages in the amount of the two outstanding payments, \$6,003,379, *plus* interest and fees. Fabric later filed a separate suit against Celsius and Alexander Mashinsky in the United Kingdom.

17. The parties have agreed to participate in mediation of this matter in London in late May 2024. Celsius and the advisors to the LOC, including Taylor Wessing LLP (UK counsel), are in the process of gathering and reviewing documents and assessing the likely outcomes in litigation.

IV. Other ARM Litigation and Claims

A. Litigation

18. ***Mawson Infrastructure Group***. On November 21, 2023, Celsius Mining LLC (“Celsius Mining”) initiated an adversary proceeding against Mawson Infrastructure Group, Inc. and its affiliates (collectively, “Mawson”) in connection with Mawson’s breaches under (i) the Co-Location Agreement it executed with Celsius Mining and (ii) that certain secured promissory note Mawson issued to Celsius Mining. *See Celsius Mining LLC v. Mawson Infrastructure Group Inc., et al.*, Adv. Pro. Case No. 23-01202 (Bankr. S.D.N.Y. Nov. 21, 2023). On April 24, 2024, the District Court for the Southern District of New York granted Mawson’s appeal of the Bankruptcy Court’s order denying Mawson’s motion to compel arbitration. *See In re Celsius Network LLC*, Case No. 22-10964 (Bankr. S.D.N.Y. Apr. 24, 2024). Consequently, the parties are engaging in arbitration. The ARM will continue to prosecute the Post-Effective Date Debtors’ claims.

19. ***Equities First Holdings***. On September 6, 2023, Celsius Network Limited initiated an adversary proceeding against Equities First Holdings, LLC (“EFH”) and its founder

and CEO Alexander Christy alleging breach of contract, fraudulent transfer, and other claims in connection with EFH’s sale of the Debtors’ collateral under a series of loan agreements between the parties. *See Celsius Network Limited v. Equities First Holdings, LLC*, Adv. Pro. Case No. 23-01167 (Bankr. S.D.N.Y. Sep. 6, 2023). The litigation is currently stayed pending EFH’s appeal of the Bankruptcy Court’s order denying arbitration. *See Celsius Network Limited v. Equities First Holdings, LLC*, Adv. Pro. Case No. 23-01167 (Bankr. S.D.N.Y. Nov. 14, 2023).

20. ***Reliz.*** The ARM is pursuing claims the Post-Effective Date Debtors have against Reliz Group Technology Holdings Inc. and its affiliates (collectively, “**Reliz**”) in connection with arbitration awards Celsius Network Ltd. holds against Reliz.

21. ***Other Litigation.*** The ARM is in the process of initiating litigation and pursuing claims on behalf of the Post-Effective Date Debtors related to prepetition professionals retained by the Debtors and the Debtors’ various loan and contract counterparties.

B. Monetization of Illiquid Assets

22. ***Illiquid Cryptocurrencies.*** In its work to liquidate certain illiquid assets of the Post-Effective Date Debtors, the ARM has monetized a portfolio of illiquid cryptocurrencies, generating approximately \$3.6 million in proceeds to date.

23. ***Institutional Loans.*** The ARM currently holds collateral in the possession of the Post-Effective Date Debtors in connection with certain institutional loans (the “**Institutional Loans**”) and is progressing with calling such Institutional Loans and liquidating loan collateral.

24. ***Other Securities.*** The ARM is in the process of taking over and managing the Post-Effective Date Debtors’ positions in certain securities and other instruments.

**Distributions and Payments to the Litigation Administrators
and Litigation Administrator Professionals**

25. As set forth above, the LOC has not approved any distributions to creditors from the Litigation Recovery Account as of the date hereof. As set forth above, certain monthly fees payable to the Litigation Administrators and payments to other retained professionals have been distributed from the Litigation Recovery Account. Each of those payments was approved in advance by the LOC in accordance with the Plan and any underlying agreements.

Dated: April 30, 2024
New York, New York

Respectfully submitted,

/s/ Mohsin Y. Meghji
Mohsin Y. Meghji
Litigation Administrator

/s/ R Christian Wyatt
R Christian Wyatt on behalf of
Blockchain Recovery Investment
Consortium, LLC,
Litigation Administrator and
Complex Asset Recovery Manager